

M e m o r a n d u m

To: Panel Members

Date: August 27, 2004

From: Ruby Cohen, Manager

Analyst: J. Daunt

Subject: ONE-STEP AGREEMENT FOR **SPRINT CORPORATION**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
Set Workers Earning At Least State Avg Hourly Wage
- Legislative Priorities: Moving To A High Performance Workplace
- Type of Industry: Services Telecommunication
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 65,000
 - *In California:* 3,000
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$741,520
- Substantial Contribution: \$0
- Total ETP Funding: \$741,520
- Total In-kind Contribution: \$2,553,658
 - *Trainee Wages Paid During Training:* \$2,553,658
 - *Other Contributions:*
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Alameda, Orange, Sacramento

INTRODUCTION:

Sprint Corporation is a global telecommunications organization, providing fixed-line telecom services, local access telecommunication, long-distance telecommunication, Internet transport, transatlantic fiber-optic telephone service, mobile phone services, digital wireless networks, and related communications services. Sprint Corporation at its site located at 3068 Kilgore Road, Rancho Cordova, California, is eligible for funding under Title 22, California Code of Regulations (CCR), Section 4416(a)(3, 4) for employers providing services out of state and/or providing services within the state in competition with providers of the same services located outside the state. All other California locations of Sprint Corporation where ETP-funded training will take place are qualified under Title 22, CCR, Section 4409(a), i.e., the ETP Special Employment Training (SET) Front Line Worker provisions. Sprint Corporation is requesting Panel funds to assist in the training of workers in skills designed to move the company toward higher performance.

MEETING ETP GOALS AND OBJECTIVES:

Sprint Corporation proposes training that will further the following ETP goals and objectives:

- 1) The proposed training is targeted toward assisting Sprint Corporation and its employees in moving toward a high performance workplace.
- 2) The proposed training meets ETP's legislative mandate to invest in developing the skills of frontline workers and to foster retention of high-wage, high-skilled jobs within the state.

TRAINING PLAN TABLE:

Job Number / Trainee Type	Types Of Training	No. Retain	No. Class / Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 SET Retrainee	Business Skills Commercial Skills Computer Skills Continuous Improvement	580	24-200	0	\$858	*\$20.29- \$69.98
Job Number 2 Retrainee	Business Skills Commercial Skills Computer Skills Continuous Improvement Management Skills	280	24-200	0	\$871	*\$12.02- \$130.26
						<u>Prevalent Hourly Wage</u> \$16.83
						<u>Average Cost Per Trainee</u> \$862
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> *For non-SET trainees, health, dental, and/or vision benefits of at least \$1.20 per hour will be added to wages to meet the ETP minimum hourly rate of \$12.02 for Sacramento County and \$12.17 for Alameda and Orange Counties. For SET trainees, health, dental, and/or vision benefits of at least \$1.20 per hour will be added to wages to meet the ETP minimum hourly SET rate of \$20.29 statewide.				<u>Turnover Rate</u> 12.5%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 16.2%	
<u>Other Employee Benefits:</u> Medical and dental, vacation, sick leave, short-term and long-term disability, life Insurance, day care reimbursement accounts, accidental death and dismemberment insurance, retirement pension and savings plans, employee stock purchase plan, group legal services, long-term care, prescription drug program.						

COMMENTS / ISSUES:

➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 CCR, Section 4400(ee), except for 85 Managers.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

COMMENTS / ISSUES: (continued)

➤ ***Senior Level***

No senior level managers or executive staff who set company policy are included in ETP-funded training under this Agreement.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funding is available and the project meets the Panel priorities.

NARRATIVE:

Founded in Kansas in 1899 as the Brown Telephone Company, Sprint Corporation initially operated locally and has since grown to become a global provider of telecommunications. After the Depression, the Company reorganized as United Utilities and by the 1950's operated as the second-largest non-Bell telephone company in America. In 1972 the Company changed its name to United Telecommunications, and by 1980, the Company was generating revenues exceeding \$1 billion per year. In 1986, the Company began providing domestic long-distance service under the Sprint brand name. Sprint International emerged in 1989 to provide transatlantic fiber-optic telephone service.

United Telecommunications officially changed its name to Sprint Corporation in 1992. Growth continued through the 1990s and is continuing. Sprint officials state that from its "small-town roots," the Company has evolved into a global communications organization serving 26 million customers in over 70 countries, with over \$26 billion in revenues in 2003. Worldwide, the total number of employees is 65,000.

Sprint Corporation is the parent company of operating units Sprint FON and Sprint PCS which had formerly been traded separately, but were recombined in 2004. Sprint FON, the larger segment, includes fixed-line telecom services, such as local access, long-distance, and Internet transport, as well as product distribution encompassing Sprint's global markets division. Sprint PCS, the smaller but growing segment, operates a digital wireless network and is a leading provider of mobile phone services in the United States.

Need for Training:

According to Company officials, Sprint is currently facing significant challenges. These challenges are 1) uncertainty and change in the telecommunications industry; 2) marketplace competition; and 3) technical upgrades to current telecommunications systems.

1) Uncertainty and Change in the Telecommunications Industry

According to Company officials, Sprint operates in an industry that has been and continues to be subject to consolidation, with consequent uncertainty and potentially far-reaching changes. Mergers, acquisitions, and consolidations have been fairly frequent. In addition,

NARRATIVE: (continued)

according to officials, another source of change and uncertainty in telecommunications involves deregulation. Several Telecommunications Acts have been enacted over the years that have divided "Ma Bell" into four major regional phone companies (Verizon, BellSouth, Qwest, SBC), allowing smaller telecommunications companies like Sprint to compete.

An additional source of change, according to officials, involved the on-going shift from standard long-distance service to the use of wireless services. An increasing number of customers are relying on their cellular phones as their primary form of communication instead of the general long distance services. Sprint expects revenues from long-distance services to continue to decline as customers continue to switch to wireless. Sprint is consequently in the process of moving away from long-distance service into other offerings such as localized or customized service provision.

2) Marketplace Competition

According to Company officials, Sprint has the fifth-largest long distance customer base in the United States. The officials further state that it is becoming more difficult for the Company to maintain its foothold in the marketplace. In the long distance communications market, Sprint competes with AT&T, MCI (formerly WorldCom), the Verizon, BellSouth, SBC Communications, and Qwest, as well as cable operators and other telecommunications companies. According to Sprint officials, some competitors are targeting the high-end data market and are offering significantly discounted rates in exchange for high-volume traffic as they attempt to fill their networks with traffic volume.

Sprint also faces competition from the highly competitive wireless services market, according to Sprint officials. Sprint's wireless PCS operations compete against a number of carriers including Verizon Wireless, Cingular Wireless, AT&T Wireless Services, Nextel Communications and T-Mobile. Each of the top 50 metropolitan markets has six or more wireless service providers, including the PCS Group. Competition may continue to increase to the extent that licenses are transferred from smaller stand-alone operators to larger, better capitalized, and more experienced wireless communications operators.

Company officials state that Sprint's ability to compete successfully and perform at a higher level of efficiency will depend on its ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions, and pricing strategies. According to the officials, these responses will require knowledgeable employees.

3) Technical Upgrades to Current Telecommunications Systems

Company officials state that one way Sprint is keeping pace with its competitors is through the implementation of a technology upgrade that will cost about \$1 billion and that will significantly boost speeds on its wireless data network. According to the officials, this technology, known as EV-DO, will be available in "the majority of top metropolitan markets"

NARRATIVE: (continued)

in 2005. EV-DO pushes wireless data transfer from the current 50-70 kilobits (kbps) per second to an average of 300-500 kbps, or five to ten times quicker than the current dial-up phone access.

Training to Meet Challenges

According to officials, Sprint has determined that an extensive training program will assist the Company in meeting these challenges. Sprint is proposing a program that will include a large selection of business skills, continuous improvement, commercial skills, computer skills, and management skills training that will provide Sprint employees the skills they need to assist the Company in remaining competitive and achieving higher performance. Training formats will include class/lab, computer-based training (CBT) and possibly videoconference training.

The officials add that the business skills modules labeled "Customer Focus in a High Tech World" and "Training for New Products, Processes, and Technologies" are two examples of training that will assist Sprint employees to alleviate some of the uncertainty related to changes in the telecommunications industry. In addition, various advanced sales training courses such as "Mastering Sales Tools" and "Situational Sales Negotiations" will help Sprint employees remain competitive in the telecommunications marketplace and bring Sprint closer to higher performance. Sprint is also offering a host of training courses related to its \$1 billion investment in new systems. It is critical that Sprint teach its employees how to use these systems so the Company can operate more efficiently.

Supplemental Nature of Training

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs. Company officials state that the following training has been and will continue to be provided to different groups of Sprint Corporation employees on an as-needed basis, separate and apart from the proposed ETP-funded training:

1. On-the-job training for frontline workers;
2. New hire orientations;
3. Refresher training courses for those needing individualized attention; and
4. General sales training.

Sprint is proposing the provision of a program of supplemental training in the following areas: Computer Skills, Business Skills, Commercial Skills, Continuous Improvement, and Management Skills. Company officials state that this training will not displace existing training historically and/or currently provided to Sprint employees.

According to Company officials, a significant quantity of training in this application is designed to address Sprint's \$1 billion investment in new systems and network upgrades. Employees require training on these new systems in order for the Company to achieve optimal utilization of the systems and their most efficient incorporation into Sprint's everyday operations.

NARRATIVE: (continued)

Company officials also state that Sprint will provide significant training in advanced customer service skills and in occupational skills designed to increase efficiency. Both of these areas of training represent a significant improvement on the general customer service and efficiency training provided in the past, according to the officials.

In addition, Sprint will provide, to employees in applicable occupations, an extensive quantity of management skills training to ensure that managers and supervisors can adequately lead Company personnel and guide them in gaining control of challenging business issues, according to the officials.

Company officials state that without the training included in the proposal and the skills this training will impart, Sprint employees will not be able to function efficiently or effectively in their jobs. ETP training funds will allow Sprint to provide the supplemental training to update their workers' skills within the timeframes and manner needed to successfully maintain and grow its market share.

Sprint officials state that the Company is not receiving, and has no plans to receive, training funds for any of its California locations from any other source.

SUBCONTRACTORS:

None

THIRD PARTY SERVICES:

Deloitte & Touche LLP of San Jose, California, provided assistance to Sprint Corporation in preparing the ETP application, at a cost up to \$93,525, based on an hourly rate with a cap.

PRIOR PROJECTS:

None

ACTIVE PROJECTS:

None

Sprint Corporation Menu Curriculum

Class/Lab and CBT
Hours
24 - 200

Trainees will receive any of the following:

Courses

BUSINESS SKILLS

- Developing Customer Loyalty
- Advanced/Effective Presentation Skills
- Business Solutions Sales Workshop
- Principals of Business Conduct
- Enhanced Solution Selling Workshop
- Relationship Building
- Situational Sales Negotiations
- Financial Selling Skills
- Mastering Sales Tools
- Customer Centric Consulting
- Crucial Conversations Training
- Power of Possibilities
- PCS (Wireless Division) Customer Service Skills
- Negotiation Skills
- Prospecting Dealers
- Customer Focus in a High Tech World
- Business Writing
- Customer First Experience
- What Customers Want
- Dealing with Disruptive/Disabled Customers
- Training For New Products/Processes/Technologies
- Exercising Influence
- Top 7 Call Drivers
- Development in Directional Selling
- Developments in Account Management

COMMERCIAL SKILLS

- Customer Education Skills
- Activations Skills
- Sprint Network Technical Skills
- Developments in Billing
- Comm Quest Telecommunications Training
- Customer Proprietary Network

Sprint Corporation Menu Curriculum (continued)

COMPUTER SKILLS

- New Systems/Advanced Systems Training
- Advanced Word, Excel, PowerPoint & Access

CONTINUOUS IMPROVEMENT

- Principals of Sprint Quality
- Teambuilding/Leading Effective Teams
- Problem Solving
- Decision Making
- Conflict Prevention & Resolution
- Managing Process Improvement
- Project Quality Management
- LINK Performance Management System
- Time & Priority Management

MANAGEMENT SKILLS (non-SET trainees only) *

- Leading Effective Teams
- Managing Conflict at Work
- Sales Management Training Program
- Branch Manager Development Workshop
- Executive Development Program ("EDP") Workshop for Managers
- National Management Practices
- Situational Leadership
- Coaching Career Power
- Facilitative Leadership
- Managing to Win
- GROW Coaching Model
- Coaching and Counseling for High Performance
- Managing and Leading Change

* Management Skills training shall be provided to Managers, Supervisors, and/or Leads only. Costs of any Management Skills training provided to trainees who are not Managers, Supervisors, and/or Leads shall not be reimbursed by ETP.